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REPORT

of

1979 VICTORIAN COOPERATIVES STATE CONFERENCE

organised by

THE COOPERATIVE FEDERATION OF VICTORIA

held at

VICTORIAN GOVERNMENT PAVILION

R.A.S. SHOWGROUNDS ASCOT VALE

TUESDAY OCTOBER 23rd 1979

PRESENT

62 nominations were received from 27 Cooperatives, the Registry and the Federation's Auditor.

Cooperatives represented:

ABC Mutual Credit Union
Austin Hospital Staff Credit Cooperative
Australian Footwear Retailers Cooperative
Bendigo Trading Cooperative
Broadford Cooperative Hotel
Chelsea and District Credit Cooperative
Cooperative Insurance Company
Ibis Milk Products
Lakes Entrance Fishermens Cooperative
Latrobe Valley Savings Credit Union
Melbourne Access Video and Media Cooperative
Melbourne University Credit Cooperative
Morwell Cooperative
Murrabit Advancement Cooperative
Murray Goulburn Cooperative
Phosphate Cooperative of Australia
Primeat Cooperative
RobinVale Producers Cooperative
Security Cooperative Permanent Building Society
Terang and District Cooperative
Thorpdale Cooperative
Victorian A.B. Cooperative
Victorian Credit Cooperative Association
Warrnambool Cooperative
Waverley Credit Cooperative
Western Herd Improvement
YCW Cooperative

P R O G R A M M E

- 9.30 - 10.30 COOPERATION - THE NATIONAL SCENE
Speaker: Mr. I.H. Hunter
President,
Cooperative Federation of Australia
- 10.50 - 11.50 COOPERATIVE DIRECTORS - RESPONSIBILITIES AND LIABILITIES
Speaker: Mr. J.M. Galvin B.A.,LL.B.
- 11.50 - 12.30 THE COOPERATIVE FEDERATION OF VICTORIA - SERVICES FOR
VICTORIAN COOPERATIVES
Speaker: Mr. W.W. Rawlinson
Executive Officer,
Cooperative Federation of Victoria
- 2.00 - 2.30 OFFICIAL OPENING ADDRESS by
Hon. B.R. Dixon M.L.A.
Minister administering
The Cooperation Act 1958
- 2.30 - 3.30 FINANCE FOR COOPERATIVES, BETTER USE OF AVAILABLE RESOURCES
Speaker: Mr. M.J. Hildebrandt
General Manager,
Victorian Cooperative Credit Association
- 3.30 CONFERENCE SUMMARY
followed by
ANNUAL GENERAL MEETING
COOPERATIVE FEDERATION OF VICTORIA.

Mr. Hunter estimated the strength of Cooperatives in Australia as

9,500 in number with 2.7 million persons in membership.

These include -

- 350 Agricultural Cooperatives with 381,000 members trading in excess of \$1.65 billion in 1978 or about \$4,500 per member
- 340 Consumer Cooperatives (excluding Credit Societies) with 662,000 members trading in excess of \$282 million in 1978 or about \$425 per member
- 775 Consumer Credit Cooperatives (Credit Unions) with 1.2 million members advancing loans to members in excess of \$460 million or about \$380 per member
- 6,696 Terminating Building Societies with members advancing Housing Mortgage Loans to members in excess of \$1,125 billion or about \$6000 per member.

Agricultural Cooperatives and some others are big business but to ensure sound Cooperative development Mr. Hunter reminded them not to neglect the following principles -

- (1) Acceptance by Directors of their Board responsibilities to establish sound policies
- (2) Acceptance by Management of sound modern management techniques and correct relationships with the Board
- (3) Acceptance by both Board and Management of the importance of continuous two-way flow of information from Board Room and Chief Executive's desk to and from members of the Cooperative.

"While Cooperatives do play a significant part in the overall Australian Agricultural business the strong national position achieved by Cooperatives in many overseas countries has yet to be reached here", said Mr. Hunter.

He sought the active support of State Federations and member Agricultural Cooperatives in achieving the establishment of a specialist section for Farmer Cooperatives within the Federal Department of Primary Industry.

The major growth in the Cooperative sector in recent years has been in Credit Unions whose national membership represents about 8% of the population with assets doubling over the past four years to \$1,331 million.

Mr. Hunter urged the Conference to recognise common influencing factors amongst Cooperatives despite divergent technical and industrial needs. These common factors were seen as Cooperative

Finance
Trade
Legislation
Education.

PAPER 1 (Cont.)

He reported that the Cooperative Federation of Australia has supported the Australian Federation of Credit Union Leagues submission to the Campbell Committee of Enquiry into the Australian Financial System.

He indicated a major need for more education in the science and application of Cooperation within the present Cooperative movement and in the Education System.

Mr. Hunter concluded his paper with a strong plea to all currently involved in Cooperatives at any level to recognise and continually promote the success stories of Cooperation in Australia.

Mr. Galvin, Principal of John M. Galvin & Associates, with 15 years close involvement with Cooperative Legislation spoke forcefully on this subject. He opened his address by emphasising the need for Directors to consider their position having regard to a change in direction of the cooperative movement from adherence to the philosophical principles upon which it was founded to commercially orientated business.

Other points raised by Mr. Galvin included

- The sources of Directors' power and the distinction between company Directors and Directors of Cooperatives in that regard.
- The rise in importance of the professional manager.
- The relationship between the Board and the members of Cooperatives.
- The duties of Directors -
 - (a) Duties of good faith -
 - (i) the obligation to act in the best interests of the members
 - (ii) the obligation to exercise power strictly for the purpose for which it was conferred
 - (iii) the obligation to use discretions properly
 - (iv) the obligation to avoid conflict of interests.
 - (b) Duties of care -

In this area the distinction was drawn between the special position Directors of Cooperatives have over and above that of Directors of Companies and the particular protection afforded them by the Act and by their acknowledged amateur status. The danger of "professionalising" their role with consequent increased liability was highlighted.
- What is misconduct and what is negligence.

He summarized by saying

"Liabilities of Directors because of judicial pronouncements is less where they are seen to be self-confessed laymen and greater where they claim to be professional or expert and in evidence of that claim are paid for their services."

Mr. Rawlinson reminded the Conference that in addition to the specialist expertise in State Cooperative legislative and operation affairs which includes close association with the Minister and the Registry and membership of the Cooperative Advisory Council, the Cooperative Federation of Victoria is affiliated to the world Cooperative body to bring experience, knowledge and resources of Cooperatives throughout Australia and the world to the State.

Questionnaires circulated with the object of finding out how Victorian Cooperatives considered the Federation could be of most benefit to them brought a 12% response. Of those responding 70% sought -

- (1) promotion and protection of the Cooperative form of business
- (2) organisation of industry meetings of common cooperative concern
- (3) education and training programmes for Directors, Staff and Members
- (4) legal consultancy services
- (5) Management consultancy services.

Specific requests were also made for advice and assistance with

- (6) raising venture and development finance
- (7) development of inter Cooperative business
- (8) development of Cooperative leasing services.

The Federation Council has had meetings with the previous and present Minister administering the Cooperation Act on the matter of amendments to the Act and to establish liaison on the role of the Federation.

Two regional meetings and one specific industry group meeting have been held. More are planned for 1980.

A Financial Administrators Discussion Group has met regularly on the 4th Monday evening of each month. The object of this group is to enable meaningful discussions and exchange of experiences between Cooperative financial administrators.

Topics considered by the Group at its four meetings held in the current financial year, each introduced by an expert in the field, have been -

Cooperative Taxation
Profit and Cash Flow Budgets
Credit Control
Trading Banks - What makes them lend

Education and Training Programmes on a regular graded basis for Cooperative Directors and Staff, for potential, new and experienced Directors including Chairmen, can be organised and will be the subject of a planning survey in 1980.

PAPER 3 (cont.)

Manuals for Board Members can be prepared to enable each Director to have his personal reference material immediately available.

Mr. Rawlinson reminded the Conference that the Federation is as strong as its members support and involvement. The current subsidy arrangement from the Cooperative Federation of Australia has been provided to assist development with professional staff. The responsibility for continuance of Federation services is that of the Victorian Cooperatives themselves.

OFFICIAL OPENING BY MINISTER

Mr. Dixon welcomed the development of the Federation as a representative body with whom Government could liaise. He commented on recent amendments to the Cooperation Act, on Employment Cooperatives and the Federation's representation on the Cooperatives and Small Business Committee of the Victorian Employment Committee.

The Minister informed the Conference of a Green Paper to be introduced by the Government in mid 1980 as a discussion paper on the Government's role in community housing. The paper will pose topics such as whether or not there is a need for a Housing Commission, the role of local Government. He urged the Federation to consider the Paper and make submissions on behalf of its members to ensure Government has the Cooperative viewpoint.

PAPER 4FINANCE FOR COOPERATIVESBETTER USE OF AVAILABLE RESOURCES

Mr. Hildebrandt spoke of the need for overcoming the human relations problems of creating a general understanding amongst members of Cooperatives in diverse industries of the common benefits to be derived from more cohesive use of common resources to meet common needs.

He elaborated on the benefits derived by consumer credit cooperatives and their Victorian Association through the services and operations of their centralised banking system. He saw the principal objects of a national facility extended from the State level operations as

The Principal Objects of A National Facility

- * Economization of liquidity requirements and reduction of the maintenance of cash reserves in the system.
- * Access to new sources of funds and improved investment opportunities for the system
- * Maximize use of available funds and their return
- * Rationalization of services and functions and the elimination of duplication of costs and services at regional and local levels of the system
- * Co-ordination of a unified approach to the banking system, financial community and legislators.

He reminded delegates that the sophisticated and closely integrated Cooperative sector of Western Germany had developed its financial arm from beginnings in a central banking service using the facilities of a trading bank. Now the Cooperative Bank in that country the D.G. Bank is the third largest financial institution in Western Germany and has assisted development of an integrated financial service amongst and for Cooperatives of varied industries in Canada.

He drew the attention of delegates to the fact that over the period 1966 to 1976 and continuing, that the majority of surplus funds in the financial world had come from the household sector. Financial institutions, Government and Corporate Trading enterprise sectors had all shown deficit overall results while the household sector surplus had increased from \$1,000 million in 1972 to \$5,000 million in 1975. Credit Unions are established to cater for individuals and householders and their phenomenal growth in recent years is evidence of this situation.

Mr. Hildebrandt spoke of the high cost of efficient financial management expertise and the benefits of cooperating on investments and borrowing to obtain benefits of economics of scale. He spoke of better organisation of seasonal periods of high and low liquidity, of short and long term lending and security for investors.

CONCLUSION

The Conference Chairman, Mr. Max Rundle, President of the Cooperative Federation of Victoria reviewed the day's proceedings and officially closed the Conference at 3.30 pm.